

A Sharon Legality

Since the town of Sharon was chartered in 1889 three law suits involving several of its citizens have gone to the South Carolina Supreme Court for decisions. Two of those suits originated during the first quarter of the twentieth century and the decision on the third did not come until after 2000. The more interesting of the three cases involved the dissolution of a mercantile partnership in 1907. This is the story of the resulting dissolution and suit.

In 1889 the Chicago, Cincinnati & Charleston Rail Road Company was completing a trunk line across the county that had established the towns of Hickory Grove, Sharon and Smyrna. With knowledge that a depot would be built at Sharon and in speculation of a coming financial boom W. L. Hill purchased a tract of land near the rail line with plans to build a store. Within a year Hill's plans were realized and continued a profitable business there for fifteen years.

During this period, Kennedy Brothers, Christopher and Porter, established a mercantile business about 1902. After three years the brothers approached Hill about forming a partnership of their businesses; a partnership was created 20 May 1905 and formally signed 14 June 1906. The value of capital stock was valued at \$105,000 with Hill contributing \$80,000 and the Kennedys \$25,000. Chris and Porter Kennedy were to pay interest at eight percent on \$45,000 that Hill loaned them to give them equal interest in the profits. The contract also made a provision that the partnership would expire on 1 January every year beginning in 1907. On each 1 January either partner with a thirty-day notice could dissolve the partnership or it would automatically renew for another year.

As prescribed by the contract, Hill gave notice thirty days before that he desired to dissolve the partnership on 1 January 1907, nineteen months after it was formed. The Kennedy's were agreeable and all partners began making dissolution settlement, but they soon ran into irreconcilable differences and argued over the interpretation of the contract. The Kennedys took their case to court. There had been no appraisal of the company assets so the Circuit Court appointed three disinterested persons to appraise the assets; this came to nearly \$140,000. Deduction of debts owed by the partnership lowered the total to almost \$111,000. The net profit at the time of dissolution was about \$6,000. The main question was what portion of the assets in the hands of the receiver (Hill) was to be determined capital and what portion to be classified as assets. It was to the Kennedys' advantage that as little assets as possible be regarded as capital and more as profits. It would favor Hill, however, if the value of the capital was larger than the profits.

Judge Klugh fixed the value of capital stock at \$84,000 as opposed to the contract that placed the value at \$105,000; he held that Hill had contributed \$64,000 to capital stock and the Kennedy's \$20,000. This reduction reduced the amount of assets and increased the amount of profits, giving advantage to Hill. The judge also decreed that the net assets in the hand of the receiver be applied to the repayment of the stock and the remainder be paid out to all three partners in equal shares as provided by the partnership contract. Hill contended that the \$3,000 allowed by the court as receivership expenses should be paid by each of the three parties according to his interest in the company.

When the South Carolina Supreme Court heard the case it decreed that judgment depended entirely on the construction of the partnership contract. That court pointed out that judicial

authorities cannot alter an agreement by substituting what seems to be a true value rather than what is stated in the contract. Therefore the court agreed with the Kennedys that assets should be divided in accordance with the contract that placed the value of the capital stock of \$105,000 rather than the value fixed by Judge Klugh.

The court also found fault in the judgment that all assets had to be used to repay the value of capital stocks citing the contract clearly stated: "In the event of dissolution the stock and other assets are to be taken at their actual market value, W. L. Hill to receive eighty 105/5^{ths} and the two Kennedys twenty-five 105/5^{ths}." This statement indicates the partners did not consider reducing assets to cash in case of dissolution and settlement of the company's affairs. It did, however, agree with the Kennedys that all expenses had to be paid by the receiver rather than the other partners. The court accepted the appraisal submitted by referee J. Lyle Glenn and decreed that since the partners were not willing to settle under the terms of the contract, the depreciation of the assets valued at \$111,000 be apportioned between the capital as \$105,000 and profits as \$6,000. In adjusting the individual accounts, the charge of interest on \$45,000, which the Kennedy's were to pay to Hill "to give them an equal interest in the profits" ceased on the date of dissolution.

For more than four years the case had remained in the courts before a decision was handed down in July 1911. By November the Kennedys were announcing they had purchased more than \$20,000 in stock from the former partnership and would be doing business in the Shannon-Hope Building in the main business district of Sharon.

We are not privy to the reason Hill wanted to dissolve his partnership with the Kennedy brothers, but it may have been that he wanted to make a bold move in merchandising that his partners were willing to make. In the summer of 1912, Hill began the construction of an imposing, three-story building containing 26,000 square feet. Julian S. Starr of Rock Hill designed the building that serves as a fine example of an early twentieth century rural department store, reflecting a nation trend toward merchandising that offered a wider selection at lower prices.

The interior of the Hill Building still mirrors large urban stores of that era. Ornate, pressed tin ceilings float over maple floors and a grand, cherry staircase that leads to the second floor mezzanine. Light streams through skylight nearly forty feet above the ground floor, and they provide ventilation that makes air conditioning unnecessary. Now owned by the Carter family who has restored the building, may be toured by visitors while shopping at the Sharon Nursery and Picket Fence antique shop. The visitor might be lucky enough to run into John T. and hear an intertaining story or two.